

Message Text

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PAGE 01 MOSCOW 05677 261637Z
ACTION EUR-12

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USDOC FOR BEWT

EO 11652: NA
TAGS: BEXP EAIR EFIN UR
SUBJECT: "COMPANY TO COMPANY" LINES OF CREDIT

1. CATERPILLAR REP RECENTLY MENTIONED TO E/C COUNSELOR THAT SOVIETS HAVE BEEN ASKING FOR "COMPANY-TO-COMPANY" CREDIT TO COVER COMMERCIAL SALES. ALTHOUGH BUSINESS HAS NOT BEEN GOOD IN FIRST QUARTER OF 1977 FOR CATERPILLAR IN USSR, ITS REP WAS RELUCTANT TO ACCEPT THIS SORT OF APPROACH AND TOOK IT AS PART OF TIGHTENING UP OF SOVIET MARKET AT PRESENT PERIOD.

2. POST IS REPORTING SEPARATELY A CASE WHERE A MAJOR US ENTERPRESE HAS ACTUALLY PROPOSED A LARGE LINE OF CREDIT TO A SOVIET FOREIGN TRADE ORGANIZATION. ALTHOUGH COMPANY OFFICIAL DISCUSSED THIS IN TERMS OF AN "OFFER" BY HIS FIRM, IT SEEMS LIKELY THAT SOVIETS AT LEAST MADE KNOWN THAT THIS SORT OF PROPOSAL COULD BE ATTRACTIVE TO THEM.

3. CHASE MANHATTAN REP, IN COMMENTING ON GENERAL REPORTS OF COMPANY-TO-COMPANY CREDIT PROPOSALS (SPECIFIC CASES WERE NOT MENTIONED), SAID THAT HE WOULD STRONGLY ADVISE AGAINST THEM. IF COMPANIES DO DECIDE TO MAKE THEM - AND ONLY
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THE BIGGEST US FIRMS COULD DO SO WITHOUT PARTICIPATION BY BANKERS, HE THOUGHT - THEY SHOULD BE PARTICULARLY CAREFUL HOW DEBT INSTRUMENTS ARE DRAWN. SOURCE CAUTIONED THAT SOVIETS ARE PARTICULARLY RELUCTANT TO ISSUE NEGOTIABLE DEBT INSTRUMENTS WHICH COULD BE TRADED ON INTERNATIONAL MARKETS.

4. COMMENT: WHILE BANKERS UNDERSTANDABLY WOULD VIEW FINANCIAL ARRANGEMENTS FROM WHICH THEY ARE EXCLUDED WITH A CERTAIN PROFESSIONAL DISTRUST, IT STRIKES US THAT THERE COULD INDEED BE PITFALLS FOR NON-FINANCIAL ENTITIES WHICH PROVIDED MEDIUM-OR LONG-TERM COMMERCIAL CREDIT TO SOVIET BUYERS. (WE ASSUME MAJOR US FIRMS WILL BE WELL AWARE OF THESE.) FROM SOVIET POINT OF VIEW IT COULD LOWER COST OF DOING BUSINESS WITH WEST - UNLESS SELLERS ARE SUFFICIENTLY PROVIDED FULLY TO COVER INTEREST RATE SUBSIDY IN PRICE OF CONTRACT BUT COMPANY PROVIDING CREDIT WOULD OBVIOUSLY RUN RISK WHICH BANKS COULD DISTRIBUTE OVER WIDER AREA.
TOON

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Message Attributes

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